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C O N F I D E N T I A L SECTION 01 OF 03 ASTANA 001762

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TAGS: [PGOV](#) [PREL](#) [ECON](#) [EFIN](#) [KCOR](#) [OSCE](#) [UK](#) [KZ](#)
SUBJECT: KAZAKHSTAN: THE ABLYAZOV FACTOR

REF: A. ASTANA 1626

[1](#)B. ASTANA 0386

Classified By: Ambassador Richard E. Hoagland: 1/4 (B), (D)

[1](#)1. (C) SUMMARY: Former CEO of Bank Turan Alem (BTA) Mukhtar Ablyazov is accused of having embezzled at least \$1.1 billion from BTA before fleeing to London on February 3. Ablyazov reportedly plans an international public relations campaign with two goals: 1) to rebrand himself as the persecuted leader of Kazakhstan's democratic forces, and 2) to attempt to harm Kazakhstan's image in the final months before it assumes the 2010 OSCE chairmanship. Because of the government's recent missteps on, for example, the Internet law and the Zhovtis case, an Ablyazov smear campaign would likely find an audience in the West. END SUMMARY.

ABLYAZOV'S BAD BETS, BTA'S BAD DEBTS

[1](#)2. (C) When the Ambassador asked Chairman of the National Bank Grigoriy Marchenko on September 28 what role former CEO Mukhtar Ablyazov played in the downfall of the formerly powerful BTA bank, the ever-sardonic Marchenko replied, "Take Ablyazov to Guantanamo, and in three weeks we'll know all." Marchenko said BTA was 64% dependent on foreign borrowing when the U.S. subprime mortgage crisis began to hit. Already in March 2007, Marchenko said he had advised Ablyazov to sell BTA's real-estate assets and "get out while the getting is good." Ablyazov refused, claiming the real-estate bubble was likely to continue for another three years. A year later, in March 2008, other major Kazakhstani banks, like KazKommerceBank and Alliance, which had also heavily invested in real estate, especially in Russia, began to sell or to refinance their assets in Russia. Ablyazov, however, refused. He admitted to Marchenko that the National Bank Chairman had been right a year earlier, at least about the plunging value of real estate in Kazakhstan, but he reportedly insisted Russia was still a solid investment.

[1](#)3. (C) In October 2008, Marchenko said, he ordered the Financial Security Agency to inspect BTA, and Ablyazov

supposedly revealed the true beneficiaries of BTA's holdings.

However, as the financial crisis snowballed globally, according to Marchenko, Ablyazov changed course and began shifting BTA assets (including at least \$700 million owed to Western European investment banks) "off-shore," without informing the auditors, to entities he himself owned or controlled. According to Marchenko, this is the origin of the allegation that Ablyazov embezzled at least \$1.1. billion.

¶4. (C) Ablyazov fled to London on February 3. (NOTE: In fact, he might have been allowed to depart Kazakhstan with sensitive documents. The truth is unclear. END NOTE.) Marchenko said Ablyazov is seeking UK residency, and there are rumors he might seek political asylum in the United States. Marchenko noted, and British Ambassador Paul Brummell subsequently confirmed, that a UK court has confiscated Ablyazov's passport to keep him from fleeing the country and has frozen \$350 million of Ablyazov's personal funds in UK banks. The UK ambassador thinks there might be several hundred million more to be found in the UK alone.

ABLYAZOV AND NAZARBAYEV

¶5. (C) Meeting with the Ambassador on September 21, former presidential candidate and Chairman of the National Social Democratic Party Zhermakhan Tuyakbay (who is close to several current presidential advisers) added to the Ablyazov saga from a different angle. When Ablyazov was released from prison in May 2003 and rehabilitated to good-standing within the small circle of government super-elite, former presidential adviser and Nazarbayev confidante Bolat

ASTANA 00001762 002 OF 003

Utemuratov played the intermediary between Nazarbayev and Ablyazov. (NOTE: Utemuratov has long been rumored to be Nazarbayev's "personal financial manager." END NOTE.) Ablyazov had been imprisoned for "abuse of office" during his tenure as Energy Minister, although it was commonly assumed the real reason was his role in financing the leading opposition party at that time, Democratic Choice of Kazakhstan.

¶6. (C) Because of Ablyazov's considerable wealth and standing among the elite, he was given the chairmanship of BTA on the condition that he stay out of politics and, Tuyakbay alleged, transfer 60% of BTA's shares to Nazarbayev. Tuyakbay claimed this transfer condition has never been made public but has always been well-known among the elite. In Tuyakbay's version, Ablyazov "dragged out and dragged out" the transfer of shares to Nazarbayev, while at the same time accepting "huge international loans," which Ablyazov and his BTA cronies used "inappropriately" for real-estate wheeling and dealing, mostly in Russia, and hid from Kazakhstani government and international auditors. The true beneficiaries of the collateral assets, according to Tuyakbay, were shell companies, mostly in the Russian Federation, but also elsewhere abroad, owned by Ablyazov himself and his Russian collaborators.

THE THREAT OF "KOMPROMAT"

¶7. (C) Naturally, Ablyazov himself is telling a different story. A Central Asian Visiting Senior Fellow at the London School of Economics and Political Science recently told PolOff that she met Ablyazov in London at a Chatham House seminar during the week of September 21. One week before BTA was announced as insolvent, Ablyazov claimed, Nazarbayev called him in and demanded he "sign over" a significant portion of his personal assets so that Nazarbayev could have "personal leverage" over him. Ablyazov claimed he refused and bragged to the Visiting Senior Fellow that he has a large amount of "kompromat" on the Kazakhstani leadership that he expects to begin to release in October. Also, he told the Visiting Senior Fellow, sometime in October he will decide whether or not to "join the opposition."

18. (C) We have been hearing that Ablyazov has linked up with former Prime Minister Akezhan Kazhegeldin, long exiled in London, and that they plan to finance a public relations campaign 1) to rebrand Ablyazov as the persecuted leader of Kazakhstan's democratic forces, and 2) to attempt to harm Nazarbayev's image in the final months before Kazakhstan assumes the 2010 OSCE chairmanship. Earlier in this decade, Kazhegeldin, already in exile, attempted to position himself internationally as a leader and spokesman for pro-democracy forces in Kazakhstan, and gained some traction in Washington, especially in the State Department's Bureau of Democracy, Human Rights, and Labor; with U.S. democracy NGOs; and on Capitol Hill. Like Ablyazov, Kazhegeldin is immensely wealthy from ill-gotten gains. Together, they easily have the resources to pay for an extensive international public relations campaign.

19. (C) Prominent independent journalist Sergey Duvanov told the Ambassador on September 28 that Ablyazov is not a serious opposition leader, but he is important because he has the ability to leak the secrets of the elite. When asked directly if Ablyazov is a criminal, Duvanov replied, "Sure. Kazhegeldin is, too. They all are. But that's the system Nazarbayev created. From time to time it bites him." (NOTE: Duvanov is reportedly negotiating with Ablyazov's team to become the lead analytical anchor on Ablyazov's satellite TV channel, K-Plus TV. END NOTE.)

ASTANA 00001762 003 OF 003

10. (C) Tuyakbay judges that such a smear campaign would be more effective in Western capitals, where some have a tendency to believe the worst about Kazakhstan, than in Kazakhstan itself. He said Ablyazov's goal inside Kazakhstan would be to further destabilize and factionalize the elite, although there would likely be little effect on the larger population, which generally ignores or is jaundiced about the elite's high-stakes political games.

ABLYAZOV'S MEDIA OUTLETS

11. (C) Ablyazov reportedly owns, finances, or otherwise controls the following media outlets in Kazakhstan: three newspapers sometimes identified as "opposition": "Respublika," "Vzglyad," and "Azat," the Azat party organ; the satellite television station, K-Plus TV; and the Internet streaming video site, Stan-TV. According to Tuyakbay, these outlets have the potential to reach no more than 20% of the population, all of whom tend to be well-educated, liberal, Russian speakers who are used to the games of the elite and know how to read between the lines and enjoy the ironies they know well how to perceive.

A NUISANCE BUT NOT YET AN ENEMY

12. (C) The Foreign Ministry's Chairman of the International Information Committee (IIC), Roman Vassilenko, told the Ambassador on October 1 the government has not yet tasked his 25-person IIC public-diplomacy operation specifically to counter whatever Ablyazov is doing in the West. At the moment, they are monitoring the situation, he said. "Ablyazov is a nuisance, but he's not yet considered an enemy. We don't want to raise his profile unnecessarily." The government is apparently more interested at the moment in Ablyazov as an international fugitive. Besides having his assets frozen in the UK, the government has urgently submitted the text of an extradition treaty to Whitehall. Ambassador Brummell said HMG likely "will not act on this especially quickly."

13. (C) COMMENT: Ablyazov would not have to work too hard to harm Kazakhstan's image. Because of the government's recent missteps on, for example, the Internet law and the Zhovtis case, an Ablyazov international public relations

campaign would likely find an audience in the West. END
COMMENT.
HOAGLAND